MORETELE LOCAL MUNICIPALITY

Annual Financial Statements
for the year ended 30 June 2018

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities in terms of section 152 of the Constitution, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Waste management services (the collection, disposal and purifying of waste, refuse and sewerage), water services (supplying water to the public), and rates and general services (all types of services rendered by the municipality, excluding the supply housing to the community, however including the rental of units owned by the municipality to private entities).

Mayoral committee

Mayor	Monaheng MA
Speaker	Sekhaolela TL
Single Whip	Molefe KJ
MPAC Chair	Mr M J Kau
Exco Members	Mr JM Makwela
	Ms BM Mangema
	Ms NK Mleta
	Mr LA Motsepe
	Mr BD Sephelle

General Information

Councillors	Baloyi BW Chauke MM Gwebu PM Hlongwane TE Kutume RME Kutumela SA Lekalakala RC Letebele LM Letlhabi PS Madumo MG Magalefa SR Mahlangu ET Mahlangu PP Makhathulela GM Makhubela J Makwela JM Maluleka K Mangema BM Mathatho S Mathe MA Mavundla W Mbekwa DBS Mleta NK Moatshe MC Modiba GM Modisa SJ Moekeletsi SL Mohomana JM Mokadi LK Mokgara SI Molefe KJ Molomo SP Moraka KO Moselane EL Mosetlhe MJ Mosipa ME Motsepe LA Motsepe MR Mphande MC Ngobeni TT Nkwana S Ntseke WM Raletjena ZS Ramadi MA Sekhaolela TL Sephelle BD Shai CM Sono D Tseke NR
Grading of local authority	Grade 3
Demarcation code	NW 371
Accounting Officer	Maroga IS
Chief Finance Officer (CFO)	Vilane S (Acting)
Registered office	Municipal Office 4065B Mathibestad 0404
Business address	Municipal Office

General Information

	4065B Mathibestad 0404
Postal address	Moretele Local Municipality Private Bag X 367 Makapanstad 0404
Bankers	ABSA, First National Bank,VBS Bank, Standard Bank and Nedbank
Auditors	Auditor General of South Africa

Index

The reports and statements set out below comprise the annual financial statements presented to the council:

GRAP	Generally Recognised Accounting Practice
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSCOA	Municipality Standard Chart of Accounts
SALGA	South African Local Government Association

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affair of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. The external auditors are responsible for auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 7 to 97, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2018 and were signed on:

Isaac Shimane Maroga
Accounting Officer

30 November 2018

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2018.

The Chairperson of the Audit Committee must report on a quarterly basis, or more frequently if required, to the Municipal Council on the operations of the Internal Audit Unit and the Audit Committee.

Audit Committee Responsibility

The Chairperson of the Audit Committee must report on a quarterly basis, or more frequently if required, to the Municipal Council on the operations of the Internal Audit Unit and the Audit Committee.

The effectiveness of internal control

The system of internal control employed by the municipality to financial and risk management is partially effective. In line with the MFMA, Internal Audit provides the Audit Committee and management with reasonable assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

Evaluation of annual financial statements

We have reviewed and discussed the unaudited annual financial statements and draft annual report for 2017/18 year.

Internal audit

We would like to thank management and Internal Audit Unit, Management and Council for their support. We believe that they put high level of effort in making sure that we run a competent Municipality.

Adv. JL Thubakgale
Chairperson Audit Committee

Date: ______________________

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2018.

1. Review of activities

Main business and operation

The municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the local government: Municipal Demarcation Act, 1998 and operates in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 68,051,351 (2017: surplus R 102,233,351).

2. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated deficits of R 933 617 001 and that the municipality's total assets exceed its total liabilities by R 933 617 001.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

Bokosi projects CC/Construction

On the 13 August 2018 Moretele local municipality was issued notice in terms of section 3 of the institution of legal proceedings by Bokosi projects CC/Construction of sport and recreation centre in ward 15 for a claim of services rendered and not paid for. The estimated financial effect is a payment of R6 404 051.

Community Unrest

On 12 September 2018, members of the community identified as ward 12 were engaged in a service delivery protests. The municipality has not received the full assessment report or the quantifiable estimates of the damage as would be accepted by the insurance company. The municipality is currently working with the insurance assessors to finalize the claims. In terms of the Moretele asset register, the carrying value of the movable assets destroyed amount to R499 223 while the carrying value of the immovable assets amounts to R12 645 833. The municipality sent a claim through to the insurance company after the damage suffered due to the fire

VBS Liquidation

On the 13th of November 2018, the North Gauteng High Court ordered the VBS Bank to be liquidated. The process of liquidation is still being finalized and details of the recoverability of the investments is still to be communicated by the liquidator therefore the financial impact on the financial statements is not yet known. The full amount invested in VBS has been fully provided for in the current year. The possible write off of this investment will be based on the liquidators report.

4. Accounting policies

The annual financial statements prepared in accordance with the Generally Recognised Accepted Accounting Practice(GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
Isaac Shimane Maroga

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Cash and cash equivalents	6	18 300 762	67 889 274
Receivables from exchange transactions	7&9	31 745 151	30 134 318
Receivables from non-exchange transactions	8&9	21 455 782	17 700 372
VAT receivable	10	-	23 440 668
Inventories	11	1 427 269	604 406
Operating lease asset		13 622	3 505
		72 942 586	**139 772 543**
Non-Current Assets			
Investment property	3	5 717 000	5 876 000
Property, plant and equipment	4	1 073 342 118	983 425 794
Intangible assets	5	10 965 047	21 930 094
		1 090 024 165	**1 011 231 888**
Total Assets		**1 162 966 751**	**1 151 004 431**
Liabilities			
Current Liabilities			
Other financial liabilities	12	-	72 800 000
VAT payable	10	6 107 864	-
Finance lease obligation	13	43 569 293	38 303 783
Payables from exchange transactions	14	152 705 508	85 295 486
Unspent conditional grants and receipts	15	18 438 044	28 368 658
Employee benefit obligation		109 000	235 000
Bank overdraft	6	3 672 041	3 591 874
		224 601 750	**228 594 801**
Non-Current Liabilities			
Finance lease obligation	13	-	53 715 978
Employee benefit obligation	16	4 748 000	3 128 000
		4 748 000	**56 843 978**
Total Liabilities		**229 349 750**	**285 438 779**
Net Assets		**933 617 001**	**865 565 652**
Accumulated surplus		933 617 001	865 565 652

* See Note 40

MORETELE LOCAL MUNICIPALITY
(Registration number M30062)
Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	47 836 578	44 496 969
Rental of facilities and equipment	18	94 345	84 504
Interest income	19	17 669 104	18 680 891
Operational revenue	20	1 680 170	966 405
Gain on disposal of assets and liabilities		-	663 975
Actuarial gains		-	76 000
Total revenue from exchange transactions		**67 280 197**	**64 968 744**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	45 248 696	44 932 593
Transfer revenue			
Transfers & subsidies	22	494 697 615	414 970 864
Public contributions and donations	23	-	43 000 920
Total revenue from non-exchange transactions		**539 946 311**	**502 904 377**
Total revenue		**607 226 508**	**567 873 121**
Expenditure			
Employee related costs	24	(105 134 963)	(89 842 487)
Remuneration of councillors	25	(18 810 430)	(16 830 239)
Repairs and maintenance	26	(32 225 144)	(31 241 037)
Depreciation and amortisation	27	(63 322 052)	(64 828 713)
Impairment loss/ Reversal of impairments	28	(106 852 344)	(54 146 985)
Finance costs	29	(22 403 519)	(17 461 200)
Bulk purchases	30	(20 643 015)	(20 645 298)
Contracted services	31	(63 973 023)	(62 029 621)
Actuarial losses		(1 020 000)	-
Loss on non-current assets held for sale or disposal groups		(1 518 799)	(19 901)
Operational expenditure	32	(103 271 868)	(108 594 289)
Total expenditure		**(539 175 157)**	**(465 639 770)**
Surplus for the year		**68 051 351**	**102 233 351**

* See Note 40

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	756 640 651	756 640 651
Adjustments		
Prior year adjustments	6 691 650	6 691 650
Balance at 01 July 2016 as restated*	**763 332 301**	**763 332 301**
Changes in net assets		
Surplus for the year	102 233 351	102 233 351
Total changes	102 233 351	102 233 351
Restated* Balance at 01 July 2017	**865 565 650**	**865 565 650**
Changes in net assets		
Surplus for the year	68 051 351	68 051 351
Total changes	68 051 351	68 051 351
Balance at 30 June 2018	**933 617 001**	**933 617 001**

Note(s)

* See Note 40

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		34 834 577	70 406 693
Grants		484 767 001	442 398 999
Interest income		17 669 104	18 680 891
		537 270 682	531 486 583
Payments			
Employee costs		(123 023 121)	(112 614 082)
Suppliers		(175 193 313)	(221 683 231)
Finance costs		(4 520 730)	(9 277 216)
		(302 737 164)	(343 574 529)
Net cash flows from operating activities	34	**234 533 518**	**187 912 054**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(145 013 104)	(186 520 371)
Proceeds from sale of property, plant and equipment	4	(55 835)	2 466 122
Net cash flows from investing activities		**(145 068 939)**	**(184 054 249)**
Cash flows from financing activities			
Repayment of other financial liabilities		(72 800 000)	(76 000 000)
Finance lease payments		(66 333 257)	(21 956 579)
Net cash flows from financing activities		**(139 133 257)**	**(97 956 579)**
Net increase/(decrease) in cash and cash equivalents		**(49 668 678)**	**(94 098 774)**
Cash and cash equivalents at the beginning of the year		64 297 400	158 396 174
Cash and cash equivalents at the end of the year	6	**14 628 722**	**64 297 400**

* See Note 40

MORETELE LOCAL MUNICIPALITY
(Registration number M30062)
Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	33 171 188	6 200 000	**39 371 188**	47 836 578	**8 465 390**	Note 49
Rental of facilities and equipment	113 465	-	**113 465**	94 345	**(19 120)**	Note 49
Interest received	23 868 961	-	**23 868 961**	17 669 104	**(6 199 857)**	Note 49
Other income	1 323 387	271 738	**1 595 125**	1 680 170	**85 045**	
Total revenue from exchange transactions	**58 477 001**	**6 471 738**	**64 948 739**	**67 280 197**	**2 331 458**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	47 798 763	-	**47 798 763**	45 248 696	**(2 550 067)**	
Transfer revenue						
Government grants and subsidies	498 510 576	15 150 000	**513 660 576**	494 697 615	**(18 962 961)**	Note 50
Total revenue from non-exchange transactions	**546 309 339**	**15 150 000**	**561 459 339**	**539 946 311**	**(21 513 028)**	
Total revenue	**604 786 340**	**21 621 738**	**626 408 078**	**607 226 508**	**(19 181 570)**	
Expenditure						
Personnel	(113 552 792)	-	**(113 552 792)**	(105 134 963)	**8 417 829**	
Remuneration of councillors	(17 854 856)	-	**(17 854 856)**	(18 810 430)	**(955 574)**	
Depreciation and amortisation	(40 290 851)	-	**(40 290 851)**	(63 322 052)	**(23 031 201)**	Note 49
Impairment loss/ Reversal of impairments	-	-	**-**	(106 852 344)	**(106 852 344)**	Note 49
Finance costs	(9 386 208)	3 000 000	**(6 386 208)**	(22 403 519)	**(16 017 311)**	
Debt Impairment	(44 653 210)	-	**(44 653 210)**	-	**44 653 210**	Note 49
Repairs and maintenance	(24 881 144)	(6 751 516)	**(31 632 660)**	(32 225 144)	**(592 484)**	
Bulk purchases	(24 742 520)	-	**(24 742 520)**	(20 643 015)	**4 099 505**	Note 49
Contracted Services	(47 426 985)	(8 748 096)	**(56 175 081)**	(63 973 023)	**(7 797 942)**	Note 49
General Expenses	(191 956 893)	-	**(191 956 893)**	(103 271 868)	**88 685 025**	Note 49
Total expenditure	**(514 745 459)**	**(12 499 612)**	**(527 245 071)**	**(536 636 358)**	**(9 391 287)**	
Operating surplus	**90 040 881**	**9 122 126**	**99 163 007**	**70 590 150**	**(28 572 857)**	
Actuarial gains/losses	-	-	**-**	(1 020 000)	**(1 020 000)**	
Loss on non-current assets held for sale or disposal groups	-	-	**-**	(1 518 799)	**(1 518 799)**	
	-	**-**	**-**	**(2 538 799)**	**(2 538 799)**	
Surplus before taxation	**90 040 881**	**9 122 126**	**99 163 007**	**68 051 351**	**(31 111 656)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**90 040 881**	**9 122 126**	**99 163 007**	**68 051 351**	**(31 111 656)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	**-**	1 427 269	**1 427 269**	
Operating lease asset	-	-	**-**	13 622	**13 622**	
Receivables from exchange transactions	65 816 212	-	**65 816 212**	31 745 151	**(34 071 061)**	
Receivables from non-exchange transactions	-	-	**-**	21 455 782	**21 455 782**	
Cash and cash equivalents	30 832 695	(29 592 000)	**1 240 695**	18 300 762	**17 060 067**	
	96 648 907	**(29 592 000)**	**67 056 907**	**72 942 586**	**5 885 679**	
Non-Current Assets						
Investment property	-	-	**-**	5 717 000	**5 717 000**	
Property, plant and equipment	1 088 708 633	64 321 000	**1 153 029 633**	1 073 342 118	**(79 687 515)**	
Intangible assets	-	-	**-**	10 965 047	**10 965 047**	
	1 088 708 633	**64 321 000**	**1 153 029 633**	**1 090 024 165**	**(63 005 468)**	
Total Assets	**1 185 357 540**	**34 729 000**	**1 220 086 540**	**1 162 966 751**	**(57 119 789)**	
Liabilities						
Current Liabilities						
VAT payable	-	-	**-**	6 107 864	**6 107 864**	
Finance lease obligation	-	-	**-**	43 569 293	**43 569 293**	
Payables from exchange transactions	43 613 834	-	**43 613 834**	152 705 508	**109 091 674**	
Unspent conditional grants and receipts	-	-	**-**	18 438 044	**18 438 044**	
Employee benefit obligation	-	-	**-**	109 000	**109 000**	
Bank overdraft	-	-	**-**	3 672 041	**3 672 041**	
	43 613 834	**-**	**43 613 834**	**224 601 750**	**180 987 916**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	4 748 000	**4 748 000**	
Provisions	2 814 730	9 318 000	**12 132 730**	-	**(12 132 730)**	
	2 814 730	**9 318 000**	**12 132 730**	**4 748 000**	**(7 384 730)**	
Total Liabilities	**46 428 564**	**9 318 000**	**55 746 564**	**229 349 750**	**173 603 186**	
Net Assets	**1 138 928 976**	**25 411 000**	**1 164 339 976**	**933 617 001**	**(230 722 975)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 138 928 976	25 411 000	**1 164 339 976**	933 617 001	**(230 722 975)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	39 418 035	-	**39 418 035**	34 834 577	**(4 583 458)**	
Grants	498 510 576	13 000 000	**511 510 576**	484 767 001	**(26 743 575)**	
Interest income	12 532 891	-	**12 532 891**	17 669 104	**5 136 213**	
Other receipts	113 465	-	**113 465**	-	**(113 465)**	
	550 574 967	**13 000 000**	**563 574 967**	**537 270 682**	**(26 304 285)**	
Payments						
Employee costs	-	-	**-**	(123 023 121)	**(123 023 121)**	
Suppliers	(332 652 234)	(39 649 000)	**(372 301 234)**	(175 193 316)	**197 107 918**	
Finance costs	(9 386 209)	3 000 000	**(6 386 209)**	(4 520 730)	**1 865 479**	
Transfers and subsidies	(20 365 540)	14 415 000	**(5 950 540)**	-	**5 950 540**	
	(362 403 983)	**(22 234 000)**	**(384 637 983)**	**(302 737 167)**	**81 900 816**	
Net cash flows from operating activities	**188 170 984**	**(9 234 000)**	**178 936 984**	**234 533 515**	**55 596 531**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(208 437 990)	(5 000 000)	**(213 437 990)**	(145 013 104)	**68 424 886**	
Proceeds from sale of property, plant and equipment	-	-	**-**	(55 835)	**(55 835)**	
Net cash flows from investing activities	**(208 437 990)**	**(5 000 000)**	**(213 437 990)**	**(145 068 939)**	**68 369 051**	
Cash flows from financing activities						
Repayment of other financial liabilities	-	-	**-**	(72 800 000)	**(72 800 000)**	
Finance lease payments	(47 000 000)	(25 000)	**(47 025 000)**	(66 333 257)	**(19 308 257)**	
Net cash flows from financing activities	**(47 000 000)**	**(25 000)**	**(47 025 000)**	**(139 133 257)**	**(92 108 257)**	
Net increase/(decrease) in cash and cash equivalents	(67 267 006)	(14 259 000)	**(81 526 006)**	(49 668 681)	**31 857 325**	
Cash and cash equivalents at the beginning of the year	98 099 700	-	**98 099 700**	64 297 400	**(33 802 300)**	
Cash and cash equivalents at the end of the year	**30 832 694**	**(14 259 000)**	**16 573 694**	**14 628 719**	**(1 944 975)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. The detail on assumption of going concern is assessed refer to note 42

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivable

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

The impairment for receivables is calculated after receivables accounts with overall credit balances at reporting date is taken out. The impairment loss is calculated by multiplying individual receivable's balances by a risk factor (determined based on payment history and other traits which impact on recoverability). Receipts in July (following the reporting date) are deducted from the receivables total debt at year end (limited to the value of the debt). This approach ensures that all receivables, regardless of value are considered individually. All receivables are categorised into one of four categories. These categories are very high risk, high risk, medium risk and low risk. Receivables are given a risk category based on their payment history and other relevant traits on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Allowance for slow moving, damaged and obsolete inventory

An assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the condition of the asset assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of intangible assets.

Value in use of cash generating assets

The municipality reviews and tests the carrying value of cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest rates.

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits and other long-term benefits

The present value of the post retirement and long-term benefit obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement and long-term benefit obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 16.

Effective interest rate

The municipality uses the prime interest rate to discount future cash flows.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operation

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.3 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property are the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivabl

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:
" land held for long-term capital appreciation;
" land held for a currently undetermined future use;
" building leased out under an operating lease;
" vacant building held to be leased out under an operating lease; and or
" property that is being constructed or developed for future use as investment property

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:
" land held for long-term capital appreciation;
" land held for a currently undetermined future use;
" building leased out under an operating lease;
" vacant building held to be leased out under an operating lease;
" property that is being constructed or developed for future use as investment property;
" property that is not held for the use of administrative or supply of goods and services; and or
" property that is held not owner occupied

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 26).

Accounting Policies

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement part is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	5 -50 years
Community assets	Straight line	3 - 25 years
Electricity	Straight line	20 -45 years
Furniture and fittings	Straight line	4 - 10 years
IT equipment	Straight line	3 - 8 years
Land	Straight line	Indefinite
Leased assets	Straight line	3 years
Motor vehicle	Straight line	5 - 15 years
Road and pavement	Straight line	3 - 100 years
Sewerage	Straight line	5 - 100 years

1.4 Property, plant and equipment (continued)

Tools and loose gear	Straight line	5 - 15 years
Water	Straight line	5 - 100 years

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, changes in estimates and errors.

Assets of the municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 26).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 26).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore certain items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, rehabilitation and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of non-cash-generating assets.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it was in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

1.6 Intangible assets (continued)

Intangible assets are initially measured at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of items of intangible assets have been assessed as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	3 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets are included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality recognises heritage assets as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value can be measured reliably.

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information of such heritage asset is disclosed in note - Heritage assets.

Heritage assets are initially measured at cost.

When a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent to initial measurement classes of heritage assets are carried at cost less any accumulated impairment losses.

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Accounting Policies

1.7 Heritage assets (continued)

The municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its used or disposal.

The gain or loss arising from the derecognition of a heritage asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the item is derecognised.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.8 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset is initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.8 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.9 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

1.9 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Finance lease receivable	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.10 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants will consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Reclassification

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in the carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.10 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of its relative fair value at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1.11 Inventories (continued)

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use by the municipality with the exception of water.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water is regarded as inventory when the municipality purchases bulk water with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs of water obtained from natural resources (rain, rivers, springs, boreholes etc). However, water in dams that are filled by natural resources and that has not yet been treated, and is under control of the municipality cannot be measured reliably as there is no cost attached to the water and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, in so far as it is stored and controlled in reservoirs at year-end.

1.12 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the VAT Act No.89 of 1991.

Accounting Policies

1.13 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered services to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

Sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

1.13 Employee benefits (continued)

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

The municipality accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality’s informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality’s informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost;

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

1.13 Employee benefits (continued)

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money are consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other long-term employee benefits

The municipality has an obligation to provide other long-term service allowance benefits to all of its permanent employees.

The municipality's liability is based on an actuarial valuation. The projected unit credit method is used to determine the present value of the obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- actuarial gains and losses, which shall all be recognised immediately;

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

1.13 Employee benefits (continued)

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.14 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

Accounting Policies

1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

Where the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.8 and 1.9.

Where the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited / debited against accumulated surplus / deficit. Prior year adjustments, relating to income and expenditure, are credited / debited against accumulated surplus when retrospective adjustments are made.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest

Revenue arising from the use by others of municipal assets yielding interest and dividends or similar distributions is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Services in-kind

Except for financial guarantee contracts, the municipality recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.20 Grant in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events given raise to the transfer occurred.

Accounting Policies

1.21 Comparative figures

Reclassification of certain accounts were made in order to comply with the requirements of Municipal Standard Chart of Accounts (MSCOA). The reclassification have no impact on the net asset value of the municipality.

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.
Refer to note for details.

1.22 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.23 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In
such an instance, no further action is also required with the exception of updating the note to the financial statements.
Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.26 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

1.27 Related parties

A related party is a person or the municipality with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Accounting Policies

1.27 Related parties (continued)

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers definitions, preparation of separate financial statements, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It furthermore covers definitions, control, accounting requirements, investment entities: fair value requirement, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers definitions, significant influence, equity method, application of the equity method, separate financial statements, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers definitions, joint arrangements, financial statements and parties to a joint arrangement, separate financial statements, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:
- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers definitions, disclosing information about interests in other entities, significant judgements and assumptions, investment entity status, interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, non-qualitative ownership interests, controlling interests acquired with the intention of disposal, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The objective of this guideline: Entities in the public sector are frequently involved in the construction of houses as part of government's housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, theaccounting standards board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: background to arrangements undertaken in terms of the national housing programme, transactions that affect the accounting of housing arrangements, consider whether the municipality undertakes transactions with third parties on behalf of another party, accounting by municipalities appointed as project manager, disclosure requirements, accounting by municipalities appointed as project developer, accounting for the accreditation fee, commission, administration or transaction fee received, land and infrastructure, conclusion and application of this guideline to existing arrangements.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the guideline will have a material impact on the municipality's annual financial statements.

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:
- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers definitions, recognition, measurement, depreciation, impairment, compensation for impairment, transfers, derecognition, disclosure, transitional provisions and effective date.

The effective date of the amendment is for years beginning on or after 1 April 2020.

The municipality expects to adopt the amendment for the first time in the 2021 financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

Amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:
- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; to clarify acceptable methods of depreciating assets; and to define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the amendment for the first time in the 2021 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 18 (as amended 2016): Segment Reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:
- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is for years beginning on or after 01 April 2020

The municipality expects to adopt the amendment for the first time in the 2021 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

2. New standards and interpretations (continued)

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the amendment is for years beginning on or after 01 April 2019.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the amendment for the first time in the 2020 financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the amendment is for years beginning on or after 1 April 2019.

The municipality expects to adopt the amendment for the first time in the 2020 financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the amendment for the first time in the 2020 financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the amendment is for years beginning on or after 1 April 2019.

The municipality expects to adopt the amendment for the first time in the 2020 financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the amendment is for years beginning on or after 1 April 2019.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the amendment for the first time in the 2020 financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; to align terminology in GRAP 17 with that in IPSAS 17. The term “specialist military equipment” in IPSAS 17 was replaced with the term “weapon systems” and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and to define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the amendment for the first time in the 2020 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB’s Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB’s recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the amendment for the first time in the 2020 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB’s Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB’s recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB’s Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the amendment for the first time in the 2020 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the amendment for the first time in the 2020 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 18 Segment reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.
The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the amendment for the first time in the 2020 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal / agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the amendment for the first time in the 2020 financial statements

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:
- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

Amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:
- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the amendment for the first time in the 2020 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	5 717 000	-	5 717 000	5 876 000	-	5 876 000

Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Total
Investment property	5 876 000	(159 000)	5 717 000

Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	5 876 000	5 876 000

Pledged as security

None of the investment properties were pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

4. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	46 968 469	-	46 968 469	46 968 469	-	46 968 469
Buildings	214 039 937	(135 888 789)	78 151 148	213 637 882	(131 771 685)	81 866 197
Furniture and fixtures	8 449 649	(6 633 810)	1 815 839	8 218 369	(5 833 499)	2 384 870
Motor vehicles	19 013 305	(3 408 134)	15 605 171	11 475 247	(2 300 236)	9 175 011
Office equipment	4 008 458	(3 519 578)	488 880	3 738 058	(3 302 681)	435 377
IT equipment	14 152 159	(13 725 483)	426 676	14 116 271	(13 375 011)	741 260
Infrastructure	820 108 178	(310 266 816)	509 841 362	768 049 805	(280 155 255)	487 894 550
Community	-	-	-	-	245 232	245 232
Other property, plant and equipment	379 788 144	-	379 788 144	301 994 663	-	301 994 663
Other leased Assets	62 562 723	(22 809 374)	39 753 349	62 562 723	(11 385 926)	51 176 797
Tools and loose gear	1 177 110	(674 030)	503 080	1 058 305	(514 937)	543 368
Total	**1 570 268 132**	**(496 926 014)**	**1 073 342 118**	**1 431 819 792**	**(448 393 998)**	**983 425 794**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Other	Depreciation	Impairment loss	Total
Land	46 968 469	-	-	-	-	-	-	46 968 469
Buildings	81 866 197	2 712 477	(526 583)	-	103 166	(6 003 068)	(1 041)	78 151 148
Furniture & fixtures	2 384 870	231 280	-	-	-	(800 311)	-	1 815 839
Motor vehicle	9 175 011	7 538 058	-	-	-	(1 107 898)	-	15 605 171
Office equipment	435 377	270 400	-	-	-	(216 897)	-	488 880
IT equipment	741 260	35 888	-	-	-	(350 472)	-	426 676
Infrastructure	487 894 550	56 312 715	(936 382)	-	1 563	(32 295 815)	(1 135 269)	509 841 362
Capital work-in-progress	301 994 663	136 551 207	-	(58 757 726)	-	-	-	379 788 144
Other leased Assets	51 176 797	-	-	-	-	(11 423 448)	-	39 753 349
Tools and loose gear	543 368	118 805	-	-	-	(159 093)	-	503 080
	983 180 562	**203 770 830**	**(1 462 965)**	**(58 757 726)**	**104 729**	**(52 357 002)**	**(1 136 310)**	**1 073 342 118**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Other	Depreciation	Total
Land	46 690 632	277 837	-	-	-	-	46 968 469
Buildings	72 352 075	15 902 925	(898 641)	-	(39 810)	(5 450 352)	81 866 197
Furniture and fixtures	3 417 768	-	-	-	-	(1 032 898)	2 384 870
Motor vehicles	9 670 695	-	-	-	-	(495 684)	9 175 011
Office equipment	738 255	-	-	-	-	(302 878)	435 377
IT equipment	1 174 404	-	-	-	-	(433 144)	741 260
Infrastructure	443 011 824	79 087 357	(923 407)	-	1 387 366	(34 668 590)	487 894 550
Capital work-in-progress	222 695 178	143 102 880	-	(63 803 395)	-	-	301 994 663
Other leased Assets	50 538 766	11 951 767	-	-	-	(11 313 736)	51 176 797
Tools and loose gear	709 749	-	-	-	-	(166 381)	543 368
	850 999 346	**250 322 766**	**(1 822 048)**	**(63 803 395)**	**1 347 556**	**(53 863 663)**	**983 180 562**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

4. Property, plant and equipment (continued)

Pledged as security

None of the assets were pledged as security.

Assets subject to finance lease (Net carrying amount)

Other leased Assets	39 753 349	51 176 797

Property, plant and equipment in the process of being constructed or developed

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Total
Opening balance	282 941 243	282 941 243
Additions/capital expenditure	281 718 735	281 718 735
	564 659 978	**564 659 978**

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Total
Opening balance	221 090 841	221 090 841
Additions/capital expenditure	125 803 297	125 803 297
Transferred to completed items	(63 952 895)	(63 952 895)
	282 941 243	**282 941 243**

Expenditure incurred to repair and maintain property, plant and equipment

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	32 895 141	(21 930 094)	10 965 047	32 895 141	(10 965 047)	21 930 094

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	21 930 094	(10 965 047)	10 965 047

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Computer software	32 895 141	(10 965 047)	21 930 094

Pledged as security

None of the assets were pledged as security.

Other information

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

	2018	2017
Cash on hand	55 611	31 766
Short-term deposits	18 245 151	67 857 508
Bank overdraft	(3 672 041)	(3 591 874)
	14 628 721	**64 297 400**
Current assets	18 300 762	67 889 274
Current liabilities	(3 672 041)	(3 591 874)
	14 628 721	**64 297 400**

None of the cash and cash equivalents were pledged as collateral.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand were neither past due nor impaired.

6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
ABSA BANK - Account Type - Cheque account	1 723 023	251 157	30 288 980	3 419 288	(1 192 976)	9 168 131
ABSA BANK - Account Type - Call account	10 441 874	4 104 194	165 637 122	14 825 863	6 989 390	87 969 974
Nedbank - Account Type - Call accounts	15 781	-	61 255 188	(3 672 041)	(2 398 898)	61 255 188
VBS - Account Type - Call accounts	51 057 065	60 868 118	-	-	60 868 118	-
Total	**63 237 743**	**65 223 469**	**257 181 290**	**14 573 110**	**64 265 634**	**158 393 293**

Reconciliation of VBS Mutual bank - provision for impairment

	2018	2017
VBS - Account Type - Call accounts	51 057 065	60 868 118
Provision on impairment	(51 057 065)	-
	-	**60 868 118**

VBS bank has been placed under curatorship, therefore the recovery of the investment is unknown. The municipality has not received any communication from the curator therefore management has taken into consideration all the reports circulating relating to the matter and have made 100% provision on impairment for the investment.

7. Receivables from exchange transactions

	2018	2017
Consumer debtors - Water	16 449 788	13 627 218
Consumer debtors - Refuse	8 521 579	6 637 798
Consumer debtors - Sundry	2 402 590	7 603 558
Consumer debtors - Interest	4 371 194	2 265 744
	31 745 151	**30 134 318**

None of the trade and other receivables were pledged as security.

None of the financial assets that are fully performing have been renegotiated in the last year.

Fair value of trade and other receivables

Trade and other receivables impaired

The amount of the provision was R 268 751 261 as of 30 June 2018 (2017: R 220 565 058).

There is no debt that is passed due, but not impaired.

Reconciliation of provision for impairment of trade and other receivables

	2018	2017
Opening balance	220 565 058	172 642 795
Provision for impairment	48 186 203	47 922 263
	268 751 261	**220 565 058**

8. Receivables from non-exchange transactions

Government grants and subsidies	967 123	967 123
Other taxes	(686 457)	(704 092)
Consumer debtors - Rates	21 175 116	17 437 341
	21 455 782	**17 700 372**

None of the receivables from non-exchange transactions were pledged as security.

None of the financial assets that are fully performing have been renegotiated in the last year.

Receivables from non-exchange transactions impaired

As of 30 June 2018, other receivables from non-exchange transactions of R 26 441 016 (2017: R 18 789 244) were impaired and provided for.

There is no debt that is passed due, but not impaired.

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	18 789 244	13 675 796
Provision for impairment	7 651 772	5 113 448
	26 441 016	**18 789 244**

The average credit period receivables are 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus two persent per annum on the outstading balance. The municipality strictly enforces its approves credit control to ensure the recovery of receivables.

The management of the municipality is of the opinion that the carrying value of receivables approximale their value.

The provision for impairment of receivables exists predominantly to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the statement of financial position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The provision for impairement is calculated after receivable accounts with overall credit balances at reporting date is taken out. The imparment loss of debtors is calculated by multiplying individual debtor's balances by a risk factor (determined based on payment history and other traits which impact on recoverability). Receipts in July (following the reporting date) are deducted from the debtors total debt at year end (limited to the value of the debt). This approach ensures that all debtors, regardless of value are considered individually. All debtors are categorised into one of four categories. This categories are very high risk, high risk, medium risk and low risk. Debtors are given a risk category based on their payment history and other relevant traits on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that collerate with default of the portfolio.

9. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	47 616 132	36 226 586
Consumer debtors - Water	159 675 630	131 688 566
Consumer debtors - Refuse	82 860 093	63 970 675
Consumer debtors - Sundry	2 402 590	7 603 558
Consumer debtors - Interest	55 558 100	47 436 577
	348 112 545	**286 925 962**

Figures in Rand	2018	2017

9. Consumer debtors disclosure (continued)

Less: Allowance for impairment		
Consumer debtors - Rates	(26 441 016)	(18 789 245)
Consumer debtors - Water	(143 225 842)	(118 061 348)
Consumer debtors - Refuse	(74 338 514)	(57 332 877)
Consumer debtors - Sundry	(2 162 330)	(3 341 336)
Consumer debtors - Interest	(49 024 575)	(41 829 497)
	(295 192 277)	**(239 354 303)**

Net balance		
Consumer debtors - Rates	21 175 116	17 437 341
Consumer debtors - Water	16 449 788	13 627 218
Consumer debtors - Refuse	8 521 579	6 637 798
Consumer debtors - Sundry	2 402 590	7 603 558
Consumer debtors - Interest	4 371 194	2 265 744
	52 920 267	**47 571 659**

Rates		
Current (0 -30 days)	335 717	1 717 165
31 - 60 days	167 533	577 347
61 - 90 days	166 808	582 782
> 91 days	20 505 058	14 560 047
	21 175 116	**17 437 341**

Water		
Current (0 -30 days)	1 560 358	487 814
31 - 60 days	668 361	238 850
61 - 90 days	666 044	236 786
> 91 days	13 555 025	12 663 768
	16 449 788	**13 627 218**

Refuse		
Current (0 -30 days)	517 960	321 605
31 - 60 days	254 710	159 547
61 - 90 days	253 750	158 396
> 91 days	7 495 159	5 998 250
	8 521 579	**6 637 798**

Sundry		
Current (0 -30 days)	239 749	2 122 972
> 91 days	2 162 841	5 480 586
	2 402 590	**7 603 558**

Interest		
Current (0 -30 days)	232 292	180 578
31 - 60 days	111 868	91 773
61 - 90 days	109 055	89 337
> 90 days	3 917 979	1 904 056
	4 371 194	**2 265 744**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

9. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	12 745 145	11 828 259
31 - 60 days	5 050 307	4 510 716
61 - 90 days	4 988 322	4 505 441
> 91 days	296 367 507	233 107 684
	319 151 281	253 952 100
Less: Allowance for impairment	(287 049 652)	(228 244 470)
	32 101 629	**25 707 630**

Industrial/ commercial		
Current (0 -30 days)	80 716	434 781
31 - 60 days	34 004	105 716
61 - 90 days	29 847	105 194
91 - 120 days	2 617 359	8 138 237
	2 761 926	8 783 928
Less: Allowance for impairment	(2 761 926)	(8 031 100)
	-	**752 828**

National and provincial government		
Current (0 -30 days)	1 893 375	1 652 539
31 - 60 days	826 710	664 004
61 - 90 days	829 329	666 182
91 - 120 days	22 594 586	16 015 824
	26 144 000	18 998 549
Less: Allowance for impairment	(5 380 700)	(1 899 536)
	20 763 300	**17 099 013**

10. VAT

VAT	(6 107 864)	23 440 668

11. Inventories

Consumable stores	1 427 269	335 991
Water	-	268 415
	1 427 269	**604 406**

Carrying value of inventories carried at fair value less costs to sell	1 427 269	604 406
Inventories recognised as an expense during the year	24 507 397	20 645 297

Inventory pledged as security

Inventory were not pledged as security. The inventory count was conducted on the 29 June 2018.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

12. Other financial liabilities

At amortised cost		
DBSA loan	-	72 800 000
Account nor: 9002050 The loan is repayable in 4 monthly installments with the redemption date of 29 March 2018. The loan bears interest of 9% and is secured by MIG projects.		
Current liabilities		
At amortised cost	-	72 800 000

Defaults and breaches

No defaults and breaches on loans for the financial year.
There are financial assets pledged as collateral for other financial liabilies.

13. Finance lease obligation

Minimum lease payments due		
- within one year	46 037 948	58 106 977
- in second to fifth year inclusive	-	46 037 948
	46 037 948	104 144 925
less: future finance charges	(2 471 807)	(12 125 164)
Present value of minimum lease payments	**43 566 141**	**92 019 761**
Present value of minimum lease payments due		
- within one year	43 569 293	53 715 978
- in second to fifth year inclusive	-	38 303 783
	43 569 293	**92 019 761**
Non-current liabilities	-	53 715 978
Current liabilities	43 569 293	38 303 783
	43 569 293	**92 019 761**

Finance lease liabilities relates to IT Equipment with lease terms of 36 months. The effective interest rates on Finance leases is 10% with a 10% escalation per annum.The lease is renewable at the end of the lease period. Capitalised lease liabilities are secured over the items of IT Equipment leased.

Defaults and breaches

No defaults or breaches on finance lease payments during the year.

14. Payables from exchange transactions

Trade payables	61 717 899	12 323 985
Payments received in advanced - contract in process	2 257 108	2 252 268
Retentions	35 871 647	32 520 087
Social responsibility	731 763	731 763
Sundry creditors	38 474 888	24 263 452
Payables : councilor fees and pension	1 053 163	1 053 163
Accrued bonus	1 851 533	1 518 489
Accrued leave	10 747 507	10 632 279
	152 705 508	**85 295 486**

Figures in Rand	2018	2017

14. Payables from exchange transactions (continued)

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA,except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

No terms of payment have been re-negotiated by the municipality.

No defaults or breaches on payables during the year.

The management of the municipality is of the opinion that the carrying value of creditors approximate their fair value.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Water Services Infrastructure Grant	17 526 433	10 081 070
District Bonjanala grant	94 892	(1 498 652)
North West Sport - Maubane cultural village	500 000	500 000
Library Grant	287 471	809 033
Municipal Infrastructure Grant	29 248	18 477 207
	18 438 044	**28 368 658**

Movement during the year

Balance at the beginning of the year	29 867 310	940 523
Additions during the year - conditional grants	200 175 724	178 494 159
Income recognition during the year - conditional grants	(211 604 990)	(151 066 024)
	18 438 044	**28 368 658**

The recurring amount of R500 000 for Maubane cultural village relates to 2006/2007 conditional grant allocation from North West Department of Sport Arts and Culture. The municipality has not been able to obtain the relaxations of the grant as sought from the department. The municipality has developed a business plan with the assistance of the concern group to ensure future utilisation of the funds.

16. Employee benefit obligation

Defined benefit plan

Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long service award is payable to employees under 10 years of continuous service, and every 5 years of continuous service from 10 years of service to 45 years of service. The provision is an estimate of the long service based on historical staff turnover.

The actuarial valuations of plan asset and present value of the defined benefit obligation were carried out by ZAQ Consultants and Actuaries, Neil Fourie, fellow of the Actuarial Society of South Africa. The project unit credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

The long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certian number of years in service.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

16. Employee benefit obligation (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of unfunded obligations	4 748 000	3 128 000
Non-current liabilities	(4 731 000)	(3 128 000)
Current liabilities	(126 000)	(235 000)
	(4 857 000)	**(3 363 000)**

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable.

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	3 363 000	3 109 000
Benefits paid	(235 000)	(341 000)
Net expense recognised in the statement of financial performance	1 729 000	595 000
	4 857 000	**3 363 000**

Net expense recognised in the statement of financial performance

Current service cost	365 000	361 000
Interest cost	344 000	310 000
Actuarial gains	1 020 000	(76 000)
	1 729 000	**595 000**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

16. Employee benefit obligation (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	Yield curve	Yield curve
Net effective discount rate	Yield curve base	Yield curve base
CPI (difference between nominal and real yield curve)	Consumer price inflation	Consumer price inflation
Normal salary increase rate	Equal to CPI+%	Equal to CPI+%
Expected retirement age - Females	63	63
Expected retirement age - Males	63	63

Sensitivity analysis:

The valuation indicated in the report is a mere estimate of the cost of providing long service awards. The sensitivity of the results is based on changes to the following variables for the period 201718 :

Mortality rate

20% increase/decrease in assumed level of withdrawal rates	**-20% withdrawal**	**20% withdrawal**
Total accrued liability	5 171 000	4 573 000
Current service cost	528 000	456 000
Interest cost	528 000	465 000
	6 227 000	**5 494 000**

1% increase/decrease in assumed level of salary inflation	**'-1% withdrawal**	**'1% withdrawal**
Total accrued liability	4 510 000	5 241 000
Current service cost	451 000	533 000
Interest cost	459 000	535 000
	5 420 000	**6 309 000**

17. Service charges

Sale of water	28 475 197	26 344 100
Refuse removal	19 361 381	18 152 869
	47 836 578	**44 496 969**

The amount disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

18. Rental of facilities and equipment

Facilities and equipment		
Hall rental	7 417	6 895
Office rental	86 928	77 609
	94 345	**84 504**

Included in the above rentals are operating lease rentals at straight-lined amounts of R 79 903 (2017: R 43 023)

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

18. Rental of facilities and equipment (continued)

The operating lease contracts provided for office rentals for the lessees expires on the following dates 31 May 2019 and 31 May 2018.

19. Interest income

Dividend revenue		
Interest on consumer debtors	8 321 944	6 685 180
Interest on investments	8 938 156	11 995 711
Interest on bank	409 004	-
	17 669 104	**18 680 891**

20. Other revenue

Other income	1 680 170	966 405

Other income consist mainly out of tender income and SETA income.

The amount included in other revenue arising from exchanges of goods or services are as follows:		
Charges: Water sales	1 627	2 886
Consumer services: clearance	1 359	1 686
Tender document	472 857	50 415
Sundry income	68 530	101 508
SETA fund income	169 519	60 304
SCM supplier database	175	1 355
Charges: Yard connections	10 501	13 277
Sundry income	175	286
Water sale and delivery	131 608	186 643
Membership fees gym	10 016	14 171
20% traffic income	813 803	435 869
Telephone	-	12 281
LG SETA grant	-	85 724
	1 680 170	**966 405**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

21. Property rates

Rates received

Rates on properties	45 248 696	44 932 593

Property Rates are levied on the value of the land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2015. Supplementary valuations are processed on a monthly basis to take into account changes to individual property values due to alterations and subdivisions.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied monthly on property owners and are payable at the end of each month. Interest is levied at a rate determined by council on outstanding rate amounts.

The new general valuation will be implemented on 01 July 2019

Valuations

Residential	1 161 305 000	1 161 305 000
Commercial	46 111 000	46 111 000
State	603 450 500	603 450 500
Municipal	715 021 000	715 021 000
	2 525 887 500	**2 525 887 500**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

22. Government grants and subsidies

Operating grants		
Equitable share	284 591 277	263 904 840
District Bonjanala Grant	906 456	1 498 652
Finance management grant	2 145 000	1 810 000
Expanded Publics Works Programme Grant	1 544 000	4 228 000
	289 186 733	**271 441 492**
Capital grants		
Water Services Infrastructure Grant	44 473 568	35 013 930
Municipal Infrastructure Grant	159 815 752	107 932 792
Library Grant	1 221 562	582 650
	205 510 882	**143 529 372**
	494 697 615	**414 970 864**

Water Services Infrastructure Grant

Balance unspent at beginning of year	10 081 070	53 840
Current-year receipts	62 000 000	45 095 000
Conditions met - transferred to revenue	(44 473 568)	(35 067 770)
Roll over not approved 1617 year	(10 081 069)	-
	17 526 433	**10 081 070**

Conditions still to be met - remain liabilities (see note 15).

The grant is intended to fund bulk, connetor and internal infrastructure of water services at a basic level of services.

Finance management grant

Balance unspent at beginning of year	-	13 492 102
Current-year receipts	2 145 000	77 236 000
Conditions met - transferred to revenue	(2 145 000)	(77 236 000)
Other	-	(13 492 102)
	-	**-**

Conditions has been met.

The pupose of this grant was to promote support reforms in financial management by building capacity in municipalities to implement the local government: Municipal finance management act (MFMA).

Disctrict Bonjanala grant

Balance unspent at beginning of year	(1 498 652)	-
Current-year receipts	2 500 000	-
Conditions met - transferred to revenue	(906 456)	(1 498 652)
	94 892	**(1 498 652)**

Conditions still to be met - remain liabilities (see note 15).

This grant is for the assistance with the implementation of MSCOA.

North West Sport: Maubane Cultural Village

Balance unspent at beginning of year	500 000	500 000

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

22. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 15).

The condition of the grant is to foster cultural activities in the local community

Library Grant

	2018	2017
Balance unspent at beginning of year	809 033	386 683
Current-year receipts	700 000	1 005 000
Conditions met - transferred to revenue	(1 221 562)	(582 650)
	287 471	**809 033**

Conditions still to be met - remain liabilities (see note 15).

To transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised programme at provincial level in support of local government and national initiatives.

Municipal Infrastructure Grant

	2018	2017
Balance unspent at beginning of the year	18 477 207	-
Current-year receipts	159 845 000	126 410 000
Conditions met - transferred to revenue	(159 815 752)	(107 932 793)
Roll over not approved 1617 year	(18 477 207)	-
	29 248	**18 477 207**

Conditions still to be met - remain liabilities (see note 15).

To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA)

Expanded Public Works Programme Grant

	2018	2017
Current-year receipts	1 544 000	4 228 000
Conditions met - transferred to revenue	(1 544 000)	(4 228 000)
	-	**-**

Conditions has been met.

The purpose of this grant was to encourage local authorities and provintial departments to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour intensive methods and the expansion of job creation in line with the expanded public works programme guidelines.

23. Public contributions and donations

	2018	2017
Public contributions and donations	-	43 000 920

Conditions still to be met - remain liabilities (see note 15)

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

24. Employee related costs

Basic	67 732 335	57 362 520
Bonus	4 781 956	3 067 559
Medical aid - company contributions	5 229 406	4 648 371
UIF	404 392	393 103
SDL	903 664	714 680
Leave pay provision charge	115 228	2 955 328
Travel, motor car, accommodation, subsistence and other allowances	11 110 927	10 043 262
Overtime payments	2 641 917	2 068 791
Long-service awards	(235 000)	(341 000)
Transport allowance (bus coupons)	359 707	-
Housing benefits and allowances	315 539	279 382
Pension contribution	11 065 892	7 979 491
Long service awards - service cost	365 000	361 000
Long service awards - interest cost	344 000	310 000
	105 134 963	**89 842 487**

Remuneration of Municipal Manager

Basic salary	752 483	650 321
Back pay	44 748	54 432
Acting allowance	75 815	-
Travel and cellphone allowance	270 690	246 800
Travel and subsistence	40 864	-
	1 184 600	**951 553**

The position was vacant from April 2018

Remuneration of Chief Finance Officer

Basic salary	526 417	773 518
Back pay	32 172	50 495
Acting allowance	39 364	-
Housing allowance	18 083	254 998
Travel and cellphone allowance	184 435	34 170
Travel and subsistence	30 245	-
Gratuity	43 210	-
	873 926	**1 113 181**

The position was vacant from January 2018

Remuneration of deputy chief financial officer

Basic salary	-	532 194
Back pay	-	41 334
Travel and cellphone allowance	-	172 224
	-	**745 752**

Remuneration of director: Technical services

Basic salary	487 996	631 135
Back pay	32 172	50 495
Acting allowance	43 217	-
Housing allowance	48 000	-
Travel and cellphone allowance	192 843	276 908

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

24. Employee related costs (continued)

Other	14 404	132 251
	818 632	**1 090 789**

The position has been vacant from December 2017.

Remuneration of director: Corporate and human resources

Basic salary	550 715	522 740
Back pay	36 144	61 074
Travel and cellphone allowance	201 196	201 360
Pension and medical aid contribution	-	40 153
Travel and subsistence	54 495	37 680
	842 550	**863 007**

Remuneration of director: Community development

Basic salary	386 068	740 631
Back pay	-	45 926
Acting allowance	465 911	-
Bonus	32 172	-
Leave payment	73 944	-
Travel and subsistence allowance	101 329	243 928
Travel and subsistence	50 412	41 381
	1 109 836	**1 071 866**

The position has been vacant from February 2018

Remuneration of director: Local economic development

Basic salary	717 849	673 205
Back pay	43 084	45 926
Travel and cellphone allowance	258 995	243 928
Travel and subsistence	47 063	70 597
	1 066 991	**1 033 656**

25. Remuneration of councillors

Mayor	840 313	839 837
Speaker	681 131	689 582
Single Whip	641 336	588 219
MPAC Chairperson	632 437	568 748
Exco Members	3 206 680	3 138 699
Councillors	12 808 526	10 983 447
	18 810 423	**16 808 532**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

25. Remuneration of councillors (continued)

2018 - Mayor	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
MA Monaheng	509 883	198 978	44 400	87 052	840 313

2018 - Speaker	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
TL Sekhaolela	407 905	159 183	44 400	69 643	681 131

2018 - Single whip	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
KJ Molefe	382 412	149 234	44 400	65 290	641 336

2018 - MPAC chairperson	**Basic salary**	**Travel allowance**	**Cellphone allowance**	**Pension and Medical aid**	**Total**
MJ Kau	375 070	149 334	44 400	63 633	632 437

2018 - Exco members	**Basic salary**	**Travel allowance**	**Cellphone allowance**	**Pension and Medical aid**	**Total**
JM Makwela	382 412	149 234	44 400	65 290	641 336
BM Mangena	382 412	149 234	44 400	65 290	641 336
NK Mleta	382 412	149 234	44 400	65 290	641 336
LA Motsepe	382 412	149 234	44 400	65 290	641 336
BD Sephelle	382 412	149 234	44 400	65 290	641 336
	1 912 060	**746 170**	**222 000**	**326 450**	**3 206 680**

2018 - Councillors	Basic salary	Travel allowance	Cellphone allowance	Pension and medical aid	Total
GM Makhathulela	161 509	64 296	44 400	27 401	297 606
LK Mokadi	161 509	64 296	44 400	27 401	297 606
ME Mosipa	161 509	64 296	44 400	27 401	297 606
KO Moraka	161 509	64 296	44 400	27 401	297 606
MA Ramadi	161 509	64 296	44 400	27 401	297 606
BW Baloyi	161 509	64 296	44 400	27 401	297 606
S Mathatho	161 509	64 296	44 400	27 401	297 606
PS Letlhabi	161 509	64 296	44 400	27 401	297 606
J Makhubela	161 509	64 296	44 400	27 401	297 606
EM Mabatl	7 817	2 222	1 429	-	11 468
TT Ngobeni	161 509	64 296	44 400	27 401	297 606
LM Letebele	161 509	64 296	44 400	27 401	297 606
K Maluleka	161 509	64 296	44 400	27 401	297 606
NR Tseke	161 509	64 296	44 400	27 401	297 606
ZS Raletjena	161 509	64 296	44 400	27 401	297 606
MC Moatshe	161 509	64 296	44 400	27 401	297 606
D Sono	161 509	64 296	44 400	27 401	297 606
MJ Mosetlhe	161 509	64 296	44 400	27 401	297 606
PM Gwebu	161 509	64 296	44 400	27 401	297 606
JM Mohomana	161 509	64 296	44 400	27 401	297 606
MG Molefe	161 509	64 296	44 400	27 401	297 606
MM Chauke	161 509	64 296	44 400	27 401	297 606
MG Madumo	161 509	64 296	44 400	27 401	297 606
S Nkwana	161 509	64 296	44 400	27 401	297 606
MA Mathe	161 509	64 296	44 400	27 401	297 606
MR Motsepe	161 509	64 296	44 400	27 401	297 606
SP Molomo	161 509	64 296	44 400	27 401	297 606
WM Ntseke	161 509	64 296	44 400	27 401	297 606

Figures in Rand			2018	2017

25. Remuneration of councillors (continued)

PP Mahlangu	161 509	64 296	44 400	27 401	297 606
SI Mokgara	161 509	64 296	44 400	27 401	297 606
RC Lekalakala	161 509	64 296	44 400	27 401	297 606
SJ Modisa	161 509	64 296	44 400	27 401	297 606
SR Magalefa	161 509	64 296	44 400	27 401	297 606
ET Mahlangu	161 509	64 296	44 400	27 401	297 606
CM Shai	161 509	64 296	44 400	27 401	297 606
RME Kutume	161 509	64 296	44 400	27 401	297 606
EL Moselane	161 509	64 296	44 400	27 401	297 606
GM Modiba	161 509	64 296	44 400	27 401	297 606
W Mavundla	161 509	64 296	44 400	27 401	297 606
TE Hlongwane	161 509	64 296	44 400	27 401	297 606
MC Mphande	161 509	64 296	44 400	27 401	297 606
SA Kutumela	161 509	64 296	44 400	27 401	297 606
DBS Mbekwa	161 509	64 296	44 400	27 401	297 606
SL Moekeletsi	161 509	64 296	44 400	27 401	297 606
	6 952 704	**2 766 950**	**1 910 629**	**1 178 243**	**12 808 526**

25. Remuneration of councillors (continued)

2017 - Mayor	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
MA Monaheng	471 595	183 272	26 239	74 172	755 278
KL Motsepe	55 012	20 819	2 688	6 040	84 559
	526 607	**204 091**	**28 927**	**80 212**	**839 837**

2017 - Speaker	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
TL Sekhaolela	385 912	148 999	26 239	60 245	621 395
JL Magongwa	44 011	16 656	2 688	4 832	68 187
	429 923	**165 655**	**28 927**	**65 077**	**689 582**

2017 - Single whip	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
KJ Molefe	364 478	140 740	26 239	56 762	588 219

2017 - MPAC chairperson	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
MJ Kau	353 070	135 864	26 239	53 575	568 748

2017 - Exco members	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
LA Motsepe	324 661	127 058	23 645	50 259	525 623
MB Mangena	364 478	140 740	26 239	56 762	588 219
MJ Makwela	364 478	143 516	26 239	56 762	590 995
K Mleta	364 478	140 740	26 239	56 762	588 219
BD Sephelle	324 661	127 058	23 645	50 259	525 623
MP Makhudu	40 397	15 615	2 688	4 530	63 230
EG Mboweni	41 259	15 615	2 688	4 530	64 092
LM Letebele	60 404	23 688	4 078	9 061	97 231
BW Baloyi	60 404	23 688	4 078	7 297	95 467
	1 945 220	**757 718**	**139 539**	**296 222**	**3 138 699**

2017 - Councillors	Basic salary	Travel allowance	Cellphone allowance	Pension and medical aid	Total
ZS Reletjena	137 571	53 154	23 645	20 759	235 129
MC Moatshe	137 571	53 154	23 645	20 759	235 129
D Sono	137 571	53 154	23 645	20 759	235 129
MJ Mosetlhe	137 571	53 154	23 645	20 759	235 129
PS Lethlabi	153 015	59 210	26 239	23 070	261 534
PM Gwebu	137 571	53 154	23 645	20 759	235 129
S Mathatho	153 015	59 210	26 239	23 070	261 534
JM Mohomana	137 571	53 154	23 645	20 759	235 129
MG Molefe	137 571	53 154	23 645	20 759	235 129
MM Chauke	137 571	53 154	23 645	20 759	235 129
LK Mokadi	153 015	59 210	26 239	23 070	261 534
MG Madumo	137 571	53 154	23 645	20 759	235 129
J Makhubela	153 595	59 210	26 239	23 070	262 114
S Nkwana	137 571	53 154	23 645	20 759	235 129
MA Mathe	140 187	53 154	23 645	20 759	237 745
MR Motsepe	137 571	53 154	24 611	20 759	236 095
SP Molomo	137 571	53 154	22 679	20 759	234 163
WM Ntseke	137 571	53 154	23 645	14 075	228 445
PP Mahlangu	137 571	53 154	23 645	20 759	235 129

Notes to the Annual Financial Statements

25. Remuneration of councillors (continued)

K Maluleka	153 015	59 210	26 239	23 070	261 534
SI Mokgara	137 571	53 154	23 645	20 759	235 129
NR Tseke	153 015	59 210	26 239	23 070	261 534
KO Moraka	153 015	59 210	26 239	23 070	261 534
BW Baloyi	121 196	45 849	22 161	19 428	208 634
MA Ramadi	153 015	59 210	26 239	23 070	261 534
GM Makhathulela	153 015	59 210	26 239	23 070	261 534
RC Lekalakala	137 571	53 154	23 645	20 759	235 129
ME Mosipa	153 015	59 210	23 645	23 070	258 940
SA Kutumela	137 571	53 154	23 645	20 759	235 129
SJ Modisa	137 571	53 154	23 645	20 759	235 129
SR Magalefa	137 571	53 154	23 645	20 759	235 129
ET Mahlangu	137 571	53 154	23 645	20 759	235 129
CM Shai	137 571	53 154	23 645	20 759	235 129
RME Kutumela	137 571	53 154	23 645	20 759	235 129
EL Moselane	137 571	53 154	23 645	20 759	235 129
GM Modiba	137 571	53 154	23 645	20 759	235 129
W Mavundla	137 571	53 154	23 645	20 759	235 129
TE Hlongwane	137 571	53 154	23 645	20 759	235 129
MC Mpande	137 571	53 154	23 645	20 759	235 129
TT Ngobeni	153 015	59 210	26 239	23 070	261 534
LM Letebele	118 943	45 849	22 161	19 428	206 381
DBS Mbekwa	116 601	44 930	20 122	17 608	199 261
PS Mabatle	73 408	28 560	12 234	10 924	125 126
MA Mogale	20 970	8 224	3 523	3 151	35 868
MB Maluleka	17 799	6 535	2 908	1 821	29 063
RH Rapholo	17 219	6 535	2 908	1 821	28 483
ME Molobi	17 799	6 535	2 908	1 821	29 063
ML Maimane	17 799	6 535	2 908	1 821	29 063
RH Matheba	17 799	6 535	2 908	1 821	29 063
DN Seemela	17 799	6 535	2 908	1 821	29 063
MT Rampou	17 799	6 535	2 908	1 821	29 063
MM Bhiya	17 799	5 020	4 298	1 821	28 938
ME Songola	17 219	6 535	2 908	1 821	28 483
MN Kgoele	17 799	6 535	2 908	1 821	29 063
KJ Golele	17 219	6 535	2 908	1 821	28 483
MM Moetji	17 799	6 535	2 908	1 821	29 063
KR Mokondo	17 799	6 535	2 908	1 821	29 063
JR Maswanganye	17 799	6 535	2 908	1 821	29 063
ME Motselele	17 799	6 535	2 908	1 821	29 063
DM Makgamatho	17 799	6 535	2 908	1 821	29 063
P Moloisane	17 799	6 535	2 908	1 821	29 063
SM Semenya	17 799	6 535	2 908	1 821	29 063
MM Rambawa	17 799	6 535	2 908	1 821	29 063
MM Lehele	17 799	6 535	2 908	1 821	29 063
RJ Mosupye	17 799	6 535	2 908	1 821	29 063
RAM Kekana	17 799	6 535	2 908	1 821	29 063
O Mashabane	17 799	6 535	2 908	1 821	29 063
SM Matlou	17 799	6 535	2 908	1 821	29 063
MN Mokgotho	17 799	6 535	2 908	1 821	29 063
PL Maodi	17 799	6 535	2 908	1 821	29 063
	6 450 501	**2 481 429**	**1 105 294**	**946 223**	**10 983 447**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

26. Repairs and maintenance

Repairs and maintenance - infrastructure	31 191 272	30 085 931
Repairs and maintenance - motor vehicles	1 017 976	1 139 454
Repairs and maintenance - equipments	15 896	15 652
	32 225 144	**31 241 037**

Details for repairs and maintenance

Contracted services	19 888 815	18 616 256
Consumables	7 779 071	8 911 081
Labour	3 978 342	3 776 845
	31 646 228	**31 304 182**

27. Depreciation and amortisation

Property, plant and equipment	63 322 052	64 828 713

28. Impairment of assets

Impairments

Property, plant and equipment	1 136 310	-
Investments	51 057 065	-
The basis of impairment which must be included in the note is :		
The municipality has not received any communication from the curator to inform an alternative basis of impairment. The investigations into the mutual bank is deemed to be a financial misconduct when considered against the MFMA. The municipality has considered all the reports currently circulating in the media. The municipality has applied a 100% impairment until an alternative communication is received from the appointed curator. The engagements between the municipality and the Minister of CoGTA indicated that there is no possibility of recovery.		
Receivables from exchange revenue	47 366 835	47 243 925
Recoverability of receivables from exchange transactions were assessed and provision for impairment were identified.		
Receivables from non-exchange revenue	7 292 134	6 903 060
Recoverability of receivables from non - exchange transactions were assessed and provision for impairment were identified		
	106 852 344	**54 146 985**

29. Finance costs

Interest on loans	4 520 730	9 277 216
Finance lease interest	17 882 789	8 183 984
	22 403 519	**17 461 200**

30. Bulk purchases

Water	20 643 015	20 645 298

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

30. Bulk purchases (continued)

Bulk water losses in terms of Section 125(2)(d)(i) of the MFMA	2018 Units (kl)	2017 Units (kl)
Purchased during the year	2 751 195	2 890 507
Sold during the year	(1 123 999)	(1 210 934)
Unaccounted - Normal distribution losses - % water (2018 - 5%), (2017 - 9%)	1 627 196	1 679 573
Kilo litres	132 435	265 152
Loss(R) : At cost	937 638	1 702 276
	-	**-**

The increase in water losses is due to the unbilled authorized consumption and apparent (Non-Technical) losses part(s). These include:

- Consumer that are not on the billing database (e.g. Formal stands, Not Deemed stands)
- Unbilled unmetered stands - formal stands where the individual water consumption is not metered (large areas)
- Deemed customers (flat rate customers)
- Stands without prepaid meters
- Illegal connections (both convetional and prepaid areas)
- Meter inaccuracies (ageing meters)

31. Contracted services

	2018	2017
Outsourced Services		
Administrative and Support Staff	6 900 170	6 981 241
Call Centre	5 970 387	5 316 869
Hygiene Services	-	65 340
Illegal Dumping	1 656 678	9 932
Refuse Removal	15 511 672	14 216 787
Consultants and Professional Services		
Business and Advisory	10 404 809	11 397 424
Infrastructure and Planning	-	700 000
Contractors		
Maintenance of Equipment	6 729 031	9 247 029
Safeguard and Security	16 800 276	13 710 649
Sewerage Services	-	384 350
	63 973 023	**62 029 621**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

32. General expenses

Advertising	236 944	261 238
Auditors' remuneration	3 363 491	2 770 329
Bank charges	152 504	154 139
Cleaning	32 513	29 370
Computer expenses	1 167	-
Legal fees	6 579 268	5 958 690
Consumables	(502 469)	49 945
Debt collection	1 190 367	366 905
Entertainment	480 879	463 027
Insurance	1 525 214	862 904
Community development and training	562 300	1 073 033
Conferences and seminars	180 877	202 564
IT expenses	20 150	4 672
Marketing	1 053 290	649 504
Motor vehicle expenses	-	51 278
Fuel and oil	3 304 666	3 023 236
Postage and courier	480	3 493
Printing and stationery	1 293 093	1 139 939
License fees	617 407	791 114
Subscriptions and membership fees	18 690	1 424 133
Telephone and fax	4 373 954	3 531 594
Training	2 711 955	2 984 269
Travel - local	2 589 330	2 421 903
Refuse	-	569 940
Electricity	3 081 435	1 910 544
Tourism development	1 450 843	(10 520)
Accommodation	1 847 063	1 776 460
Mayor's special projects	2 098 654	2 444 950
Subsistence and travel	402 405	441 249
Basic sanitation	15 857 514	22 901 547
Audit committee expenses	930 843	744 296
Free basic services	12 347 010	12 669 861
Valuation roll expenses	166 842	563 158
Ward committee stipends	4 457 470	3 920 793
Water tankering	20 472 560	21 573 498
Hostel charges	792 120	306 992
Other expenses	2 470 294	4 265 904
Social services projects	4 582 325	4 606 878
Land use	2 528 420	1 691 460
	103 271 868	**108 594 289**

33. Auditors' remuneration

Fees	3 363 491	2 770 329

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

34. Cash generated from operations

Surplus	68 051 351	102 233 351
Adjustments for:		
Depreciation and amortisation	63 322 052	64 828 713
Gain (loss) on sale of assets and liabilities	1 518 799	(644 074)
Finance costs - Finance leases	17 882 789	8 183 984
Impairment loss provision - Receivables from exchange transactions	54 658 969	54 146 985
Inpairment loss provision - Property plant and equipment	1 136 310	-
Impairment loss provision - Investments	51 057 065	-
Acturial expenses	448 272	2 939 706
Actuarial gain / losses	1 020 000	(76 000)
Revaluation adjustment of assets	299 500	(1 591 791)
Long service employee benefits recognised in SoFPer	474 000	(8 881 062)
Changes in working capital:		
Inventories	(822 863)	(116 208)
Receivables from exchange transactions	(56 269 802)	(62 885 982)
Operating lease assets	(10 117)	11 948 261
Receivables from non-exchange transactions	(3 755 410)	(188 716)
Payables from exchange transactions	66 961 750	19 282 127
VAT	29 548 532	(28 695 376)
Unspent conditional grants and receipts	(9 930 614)	27 428 136
Investments - Under cash and bank - movement non cash	(51 057 065)	-
	234 533 518	**187 912 054**

35. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	31 745 151	31 745 151
Receivables from non-exchange transactions	21 455 782	21 455 782
Cash and cash equivalents	18 300 762	18 300 762
	71 501 695	**71 501 695**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	152 705 508	152 705 508

2017

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	30 134 318	30 134 318
Receivables from non-exchange transactions	17 700 372	17 700 372
Cash and cash equivalents	67 889 274	67 889 274
	115 723 964	**115 723 964**

Figures in Rand	2018	2017

35. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Other financial liabilities	72 800 000	72 800 000
Trade and other payables from exchange transactions	85 295 486	85 295 486
Bank overdraft	3 591 874	3 591 874
	161 687 360	**161 687 360**

36. Commitments

Authorised capital expenditure

	2018	2017
Already contracted and provided for		
• Approved and contracted for	160 630 452	171 984 257
Total capital commitments		
Already contracted and provided for	160 630 452	171 984 257

Authorised operational expenditure

	2018	2017
Already contracted and provided for		
• Approved and contracted for	80 534 829	31 677 756
Total operational commitments		
Already contracted and provided for	80 534 829	31 677 756

Total commitments

	2018	2017
Total commitments		
Authorised capital expenditure	160 630 452	171 984 257
Authorised operational expenditure	80 534 829	31 677 756
	241 165 281	**203 662 013**

Operating leases - as lessor (income)

	2018	2017
Minimum lease payments due		
- within one year	40 161	79 903
- in second to fifth year inclusive	-	40 161
	40 161	**120 064**

Certain of the municipality's property is held to generate rental income. Lease agreements are non-cancelable and have terms from 2 to 3 years. There are no contingent rents receivable.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

37. Contingencies

Contingent liability

	2018	2017
CHACHAOKA MANAGEMENT PROJECT- Civil Matter(Against) - Matter still pending in Court	6 450 000	6 450 000
SEPOLWANE & OTHERS- Civil matter (Against) - Matter still pending in Court	300 000	300 000
BATHINI SECURITY SERVICES- Civil Matter (Against) - Matter still pending in Court	421 061	421 061
TIRMAC- Civil Matter(Against) - Matter still pending in Court	792 764	792 764
THUBAKGALE- Labour Matter (Against) - The case was finalised	-	128 281
KEDIBONE CHAUKE- Labour Matter(Against) - The case was finalised	-	400 000
KHOZA M- Civil matter (Against) - Matter still pending in Court	10 000 000	10 000 000
Rehabilitation of landfill site, A possible obligation exists for the rehabilitation of the landfill site at Bosplass. PENDING	24 802 305	24 802 305
BOKOSI PROJECTS - Civil Matter (Against) - Mattr still pending in Court	6 404 051	-
	49 170 181	**43 294 411**

Contingent assets

Contingent Asset

	2018	2017
SIZWE AUCTIONS / MLM, Claim for damages against Sizwe Auctions, Pending at Pretoria High Court.	960 936	960 936

38. Related parties

Relationships	
Accounting Officer	Refer to note 24
Key management - members and remuneration	Refer to note 24
Councillors	Refer to note 25
Councillor arrear balances	Refer to note 48

The municipality does not have a municipal entity under its direct control, government departments at National and Provincial sphere are not related parties as there is no control or influence over the autonomous an independent functioning of the municipality.

39. Change in estimate

During the year the municipality performed a condition assessments on assets that reach a zero remaining useful life. Subsequently future depreciation will increase with the value of R 39,348,788 spread over an average of 13.59 year.
Details of the effect of change in estimate is recorded below:

39. Change in estimate (continued)

Property, plant and equipment

.

Asset Category	Old Average years remaining for the asset depreciation	New Average years remaining for the asset depreciation	Revised Depreciation	Old Depreciation	Nett effect
Buildings	-	20	325 071	25 741 977	25 416 906
Community Facilities	1	18	227 648	4 908 141	4 680 493
Roads Network Infrastructure	1	6	258 503	1 131 081	872 577
Storm Water Infrastructure	3	1	11 979	3 893	(8 086)
Water Supply Network Infrastructure	1	21	447 287	8 789 366	8 342 079
Electrical Network Infrastructure	-	16	693	45 511	44 819
	6	**82**	**1 271 181**	**40 619 969**	**39 348 788**

Impaired Assest
Impaired assets mainly consists of assets that was added to the register as newly constructed assets but were not in one hundred percent condition but already subject to maintenance regimes to ensure assets complete their full planned cycle. The impairment is raised to the extent that accelerated depreciation would have occured, should the assets have been in normal use without enhanced deterioration of condition

Other
Other relates to the adjustment in remaining usefull life of assets that have come close to the end of their remaining useful life. These assets are inspected and the useful life reassessed depending on how much longer the asset can be used as intended by the municipality.

40. Prior-year adjustments

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior-year adjustments:

Statement of financial position

Figures in Rand	2018	2017

40. Prior-year adjustments (continued)

2017

	Note	As previously reported	Restated 2017	Re-classification	
Inventories		604 406	-	-	604 406
Receivables from exchange transactions		29 854 091	280 228	-	30 134 319
Receivables from non-exchange transactions		15 910 760	1 789 612	-	17 700 372
VAT		7 349 186	16 091 482	-	23 440 668
Cash and cash equivalents		65 490 376	-	2 398 898	67 889 274
Operating lease asset		-	3 505	-	3 505
Investment property		5 876 000	-	-	5 876 000
Property, plant and equipment		963 342 601	20 083 193	-	983 425 794
Intangible assets		21 930 094	-	-	21 930 094
Other financial liabilities (current)		(72 800 000)	-	-	(72 800 000)
Finance lease liability (current portion)		(75 084 971)	(224 885)	37 006 073	(38 303 783)
Payables from exchange transactions		(47 022 336)	(29 503 533)	(8 769 621)	(85 295 490)
Unspent conditional grants and receipts		(29 867 310)	1 498 652	-	(28 368 658)
Employee benefit obligation (short term)		-	(235 000)	-	(235 000)
Bank overdraft		(1 192 976)	-	(2 398 898)	(3 591 874)
Finance lease liability (non-current portion)		-	(16 709 905)	(37 006 073)	(53 715 978)
Provisions (long term)		(12 132 621)	-	12 132 620	(1)
Employee benefit obligations		-	235 000	(3 363 000)	(3 128 000)
Accumulated surplus at 1 July 2016		(766 618 822)	3 286 521	-	(763 332 301)
Accumulated surplus - surplus for the year		(105 638 477)	3 405 128	-	(102 233 349)
		1	**(2)**	**(1)**	**(2)**

Statement of financial performance

2017

	Note	As previously reported	Restated 2017	Re-classification	
Service charges		(44 496 969)	-	-	(44 496 969)
Rental of facilities and equipment		(84 346)	(157)	-	(84 503)
Interest received		(6 685 180)	-	(11 995 711)	(18 680 891)
Interest received (Investments)		(11 995 711)	-	11 995 711	-
Other income		(966 404)	-	-	(966 404)
Property rates		(44 932 593)	-	-	(44 932 593)
Government grants and subsidies		(413 472 212)	(1 498 652)	-	(414 970 864)
Public contributions and donations		(43 000 920)	-	-	(43 000 920)
Employee related cost		83 743 343	6 099 147	-	89 842 490
Remuneration for councillors		16 830 239	-	-	16 830 239
Depreciation		64 828 713	-	-	64 828 713
Impairment loss		54 146 985	-	-	54 146 985
Finance cost		18 382 282	(921 082)	-	17 461 200
Repairs and maintenance		30 574 027	667 011	-	31 241 038
Bulk purchases		20 645 298	-	-	20 645 298
Contracted services		62 187 335	(157 714)	-	62 029 621
Operating expenses		106 911 587	1 682 698	-	108 594 285
Loss on non-current assests held for sale or disposal groups		-	19 901	-	19 901
Loss on disposal of assets and liabilities		1 822 049	(2 486 024)	-	(663 975)
Actuarial (gains)/losses		-	-	(76 000)	(76 000)
Actuarial losses		(76 000)	-	76 000	-
Surplus for the year		**(105 638 477)**	**3 405 128**	**-**	**(102 233 349)**

40. Prior-year adjustments (continued)

Cash flow statement

2017

	Note	As previously reported	Restated 2017
Sale of goods and services		89 243 209	70 595 409
Grants		442 399 000	442 398 999
Interest income		11 995 711	18 681 891
Other receipt		971 378	-
Employee costs		(100 884 605)	(112 614 082)
Suppliers		(215 038 396)	(221 871 947)
Finance costs		-	(9 277 216)
Undefined difference		459 774	-
Subtotal		229 146 071	187 912 054
Cash flow from investing activities			
Purchase of property, plant and equipment		(97 522 669)	(186 520 371)
Proceeds from sale of property, plant and equipment		(1 822 049)	2 466 122
		(99 344 718)	**(184 054 249)**
Cash flow from financing activities			
Repayment of other financial liability		(76 000 000)	(76 000 000)
Finance lease payments		(49 133 639)	(21 956 579)
Finance lease receipts		11 951 766	-
		(113 181 873)	**(97 956 579)**

Heading	**As Previously reported**	**Restated**
Net increase / (decrease) in cash and cash equivalents	16 619 480	(94 098 774)
Cash and cash equivalents at the beginning of the year	158 396 174	158 396 174
	175 015 654	**64 297 400**

The diffrence between the previously adjusted figures as previously report and the new restated figures is due and explained by the differences as shown under statement of financial position and statement of financial performance.

Disclosure Notes

The following prior period errors adjustments occurred:

Figures in Rand	2018	2017

40. Prior-year adjustments (continued)

Finanance leases

During the audit errors were found in the 2016/2017 financial period on Finance leases. The impact of the correction is as follows:

Statement of Financial Position		
Payables from exchange transaction - Understated	-	(14 076 786)
Finance lease obligation - non current - Overstated	-	10 090 473
VAT - Understated	-	4 605 320
Accumulated surplus - Overstated	-	(43 973)
Finance lease obligation - Current - Overstated	-	197
	-	**575 231**

Statement of Financial Performance		
Finance cost - Overstated	-	(575 034)
Rental of facilities and equipment - Overstated	-	(197)
	-	**(575 231)**

Prppert plant and equipment

During the audit errors were found in the 2016/2017 financial period onproperty plant and equipment. The impact of the correction is as follows:t

Statement of financial position		
Accumulated surplus - Understated	-	2 535 123
Finance lease obligation - Current - Understated	-	(224 885)
Finance lease obligation - Non current - Understated	-	(26 243 085)
Payable from exchange transaction - Understated	-	1 278 444
Repairs and maintenance - Understated	-	609 308
VAT - Understated	-	4 922 974
Property, plant and equipemnt - Understated	-	20 083 193
	-	**2 961 072**

Statement of financial performance		
Finance cost - Overstated	-	(346 048)
Operating expences - Overstated	-	(148 900)
Loss on disposal of assets and liabilities - Overstated	-	(2 466 124)
	-	**(2 961 072)**

Operating Lease

During the audit errors were found in the 2016/2017 financial period on operating leases. The impact of the correction is as follows

Statement of financial position		
Accumulated surplus - Overstated	-	(3 348)
Finance lease obligation - Current - Understated	-	(197)
Operating lease asset - Understated	-	3 505
	-	**(40)**

Statement of financial performance		
Rental of facilities and equipment - Understated	-	40

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

40. Prior-year adjustments (continued)

Consumer debtors

During the audit errors were found in the 2016/2017 financial period on consumer debtors. The impact of the correction is as follows

Statement of financial position		
Payables from exchange transactions - Understated	-	19 786
Receivables from exchange transactions - Understated	-	(19 786)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

40. Prior-year adjustments (continued)

Retentions

During the audit errors were found in the 2016/2017 financial period on retentions. The impact of the correction is as follows

Statement of Financial Position		
Payables from exchange transactions - Overstated	-	(3 993 695)
VAT - Understated	-	3 993 695
	-	**-**

Grants

During the audit errors were found in the 2016/2017 financial period on grants. The impact of the correction is as follows

Statement of financial position		
Unspent conditional grants and receipts - Overstated	-	1 498 652
Statement of financial performance		
Governement grats and Subsidies - Understated	-	(1 498 652)

Accruals
During the audit errors were found in the 2016/2017 financial period on grants. The impact of the correction is as follows:

Statement of financial position		
Accumulated surplus - Understated	-	798 720
Finance lease obligation - Non Current - Understated	-	(557 293)
Payables from exchange transactions - Understated	-	(241 427)
	-	**-**
Statement of financial performance		
No error	-	1

Receivables
During the audit errors were found in the 2016/2017 financial period on Receivables. The impact of the correction is as follows

Statement of financial position		
Payables from exchange transactions - Understated	-	(2 089 626)
Receivables from non exchange transactions - Understated	-	1 789 612
Receivables from exchange transactions - Understated	-	300 014
	-	**-**
Statement of financial performance		
No error	-	1

Payables
During the audit errors were found in the 2016/2017 financial period on Payables (Leave Accruals). The impact of the correction is as follows

Statement of financial position		
Payables from exchange transactions - Understated	-	(14 185 583)

Statement of financial performance

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

40. Prior-year adjustments (continued)

Employee related costs - Understated	-	14 185 583

Payables
During the audit errors were found in the 2016/2017 financial period on Payables (Back Pay). The impact of the correction is as follows

Statement of financial position

Payables from exchange transactions - Understated	-	(2 718 000)

Statement of financial performance

Employee related costs - Understated	-	2 718 000

Long term employee benefit obligations
During the audit errors were found in the 2016/2017 financial period on long term employee benefit obligations. The impact of the correction is as follows

Statement of financial position

Employee benefit obligation - Non current - Overstated	-	235 000

Statement of financial performance

Employee benefit obligations - Current - Understated	-	(235 000)

VAT
During the audit errors were found in the 2016/2017 financial period on VAT. The impact of the correction is as follows

Statement of financial position

Payables from exchange transactions - Understated	-	(1 995 084)
VAT - Understated	-	2 329 283
	-	**334 199**

Statement of financial performance

Contracted services - Overstated	-	(157 714)
General expenses - Overstated	-	(234 189)
Repairs and maintenance - Understated	-	57 703
	-	**(334 200)**

Payables
During the audit errors were found in the 2016/2017 financial period on Payables (General expenditure). The impact of the correction is as follows

Statement of financial position

Payable from exchange transactions - Understated	-	(2 305 997)
VAT - Understated	-	240 210
	-	**(2 065 787)**

Statement of financial performance

General Expenses - Understated	-	2 065 787

40. Prior-year adjustments (continued)

Commitments

[Nature of the prior prior error]

	As previously reported	Correction of error	Restated
- Capital	130 691 269	41 292 988	171 984 257
- Operational	29 758 179	1 919 577	31 677 756
	160 449 448	**43 212 565**	**203 662 013**

41. Comparative figures

Certain comparative figures have been reclassified. Refer to the prior period adjustment note for the details of the reclassifications.

42. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Financial Risk Management Objectives
The Accounting Officer has overall responsibility for establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The municipality'sfFinance department provides services to the business,co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk,fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest risk.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage risks facing the municipality in undertaking its activities.

The Department of Finance monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Significant Risks
It is the policy of the municipality to disclose information that enables the user of its annual financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.
The municipality has exposure to the following risks from its operations in financial instruments:
- Credit Risk
- Liquidity Risk
- Market Risk

Risks and exposures are disclosed as follows:

Market Risk
The Municipality is exposed to fluctuating market prices inherent in the purchasing of electricity, water and coal used in the delivery of electricity and water services. The Municipality manages this risk by giving any price increases through to the consumers on an annual basis.

Credit Risk
Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking into account the value of any collateral obtained.

42. Risk management (continued)

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cashflow requirements are met.

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

42. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposit, cash equivalents, derivative financial instrument and trade debtors. The municipality only deposit cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy. The municipality uses its own trading record to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

Investments/Bank, Cash and Cash Equivalents

Refer to http://www.fidfund.co.za/banking-options/bank-credit-ratings/ for the most updated ratings.

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an international accredited credit rating agency. The municipality’s exposure is continuously monitored and the aggregate value of transactions concluded in spread amongst different types of approved investments and institutions, in accordance with its investment policy. Inspite of the measures applied to mitigate investment risks the municipality has been significantly exposed for the 201718 financial year after investing in a mutual bank. The municipality has reviwed it investment policy in the aim of improving its internal controls.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality’s Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due not impaired) by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding 12 months are made.

42. Risk management (continued)

Trade and other receivables
Trade and other receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on-going basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water services rendered to them.

Trade receivables consist of a large number of customers. Periodic credit evaluation is performed on the financial condition of accounts receivable. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts becomes in arrears, it is endeavoured to collect such accounts by "demand for payment" "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. At this stage, the municipality only partially implement its credit control policy as there is no hand over of debtors.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review.The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position , without taking into account the value of any collateral obtained.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Receivables from exchange transactions	31 745 151	30 134 318
Receivables from non-exchange transactions	21 455 782	17 700 372
Cash and cash equivalents	18 300 762	67 889 274

Market risk

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

42. Risk management (continued)

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with the financial instruments will fluctuate in amount as a result of market interest charges.

Financial assets and liabilities that are sensitive to interest risk are cash and cash equivalent, investments, and loan payables. The municipality will exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rate.

Potential concentration of interest rate risk consists mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances.

The municipality diversifies its money market investment operations by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding 12 months are made In the 201718 financial year the municipality had invested with a bank registered under the mutual bank act, which is contrary to investment regulation of 2005.

Receivables comprise a widespread customer base. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts becomes in arrears, it is endeavoured to collect such accounts by "demand for payment" "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. At this stage, the municipality only partially implement its credit control policy as there is no hand over of debtors

Long-term receivables and other debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting where applicable. Debtors write off has been approved by council for write off in the 201819 financial year.

The municipality is not exposed to interest rate risk arising from equity investments as the municipality does not trade these investments.

Price risk

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

43. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated deficits of R 933 617 001 and that the municipality's assets exceed its total liabilities by R 704 267 251.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality

44. Events after the reporting date

Bokosi projects CC/ construction
On the 13 August 2018 Moretele local municipality was issued notice in terms of section 3 of the institution of legal proceedings by Bokosi projects CC/ construction of sport and recreation centre in ward 15 for a claim of services rendered and not paid for

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

44. Events after the reporting date (continued)

The estimated financial effect is a payment of R6 404 050.79

Community Unrest

On 12 September 2018, members of the community identified as ward 12 were engaged in a service delivery protests. The municipality has not received the full assessment report or the quantifiable estimates of the damage as would be accepted by the insurance company. The municipality is currently working with the insurance assessors to finalize the claims. In terms of the Moretele asset register, the carrying value of the movable assets destroyed amount to R499 223 while the carrying value of the immovable assets amounts to R12 645 833. The municipality sent a claim through to the insurance company after the damage suffered due to the fire

VBS Liquidation

On the 13th of November 2018, the North Gauteng High Court ordered the VBS Bank to be liquidated. The process of liquidation is still being finalized and details of the recoverability of the investments is still to be communicated by the liquidator therefore the financial impact on the financial statements is not yet known. The full amount invested in VBS has been fully provided for in the current year. The possible write off of this investment will be based on the liquidators report.

45. Unauthorised expenditure

Opening balance	309 878 891	266 172 670
Unauthorised expenditure - Current year	132 079 448	43 706 221
	441 958 339	**309 878 891**

No disciplinary action has been taken..

46. Fruitless and wasteful expenditure

Opening balance	6 775 949	11 418 738
Expenditure incurred during the year	7 419 180	3 035 228
Written off / recovered during the financial year	-	(7 678 017)
	14 195 129	**6 775 949**

Details of fruitless and wasteful expenditure		
Interest charged by Eskom	5 557	41 322
SARS interest and penalties	388 745	-
Interest charged by Telkom	71	-
Interest charged by DBSA	34 390	-
Court order - Fumani Holdings	-	1 675 000
Interest overcharged by a supplier (ITC Towers)	2 986 919	1 318 906
Training for councillors	95 192	-
Cost of license over 3 years (Could not be verified or confirmed to be in use)	3 908 305	-
	7 419 179	**3 035 228**

47. Irregular expenditure

Opening balance	739 974 897	601 104 221
Add: Irregular Expenditure - current year	166 071 327	138 870 676
	906 046 224	**739 974 897**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

47. Irregular expenditure (continued)

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
(2000-9999) Minor SCM Non-Compliance	No action taken	181 462
(2000-9999) Non Tax Compliant	No action taken	234 723
(2000-9999) Mandatory Documentation Not Submitted	No action taken	81 031
(2000-9999) Non-Compliance With SCM Regulations	No action taken	18 275
(10000-30000) Minor SCM Non-Compliance	No action taken	128 154
(10000-30000) Non Tax Compliant	No action taken	485 891
(10000-30000) Mandatory Documentation Not Submitted	No action taken	208 654
(10000-30000) Non Compliance With SCM Regulations	No action taken	137 075
(30001-200000) Minor SCM Non-Compliance	No action taken	2 228 500
(30001-200000) Non Tax Compliant	No action taken	1 020 986
(30001-200000) Mandatory Documentation Not Submitted	No action taken	594 565
(30000-200000) Non Compliance With SCM Regulations	No action taken	2 556 921
(Tenders) Non Compliance With SCM Regulations	No action taken	120 678 965
(Tenders) Proper procurement process not followed	No action taken	27 380 111
(Tenders) Proper procurement process not followed (Identified by AG)	No action taken	8 824 095
(Tenders) Proper procurement process not followed (Revisited by MLM Management)	No action taken	891 700
		165 651 108

Details of irregular expenditure - prior year

	Disciplinary steps taken/criminal proceedings	
(2000 - 9999) Minor SCM Non-Compliance	No action taken	55 537
(2000 - 9999) Non Tax Compliant	No action taken	111 800
(2000 - 9999) Mandatory Documentation Not Submitted	No action taken	5 000
(2000 - 9999) Non Compliance with SCM Regulations	No action taken	25 543
(10000- 30000) Minor SCM Non-Compliance	No action taken	569 254
(10000 - 30000) Non Tax Complant	No action taken	121 527
(10000 - 30000) Manditory Documentation Not Submitted	No action taken	307 021
(10000 - 30000) Non Compliance With SCM Regulations	No action taken	84 780
(30001 - 200000) Minor SCM Non-Compliance	No action taken	715 291
(30001 - 200 000) Non Tax Compliant	No action taken	5 870 419
(30001 - 200000) Manditory Documentation not submitted	No action taken	1 152 529
(30001 - 200000) Non Compliance with SCM Regulations	No action taken	30 445
(Tenders) Regulation SCM Non-Compliance Transgressions	No action taken	124 019 590
(Tenders) Proper procurement processes not followed	No action taken	5 801 940
		138 870 676

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	7 000	1 011 010
Amount paid - current year	(7 000)	(1 011 010)
	-	-

Auditors' remuneration

Current year subscription / fee	3 363 491	2 770 329
Amount paid - current year	(3 363 491)	(2 770 329)
	-	-

PAYE and UIF

Current year subscription / fee	23 396 913	17 590 592
Amount paid - current year	(23 396 913)	(17 590 592)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	25 145 106	19 264 993
Amount paid - current year	(25 145 106)	(19 264 993)
	-	-

VAT

VAT receivable	-	23 440 668
VAT payable	6 334 364	-
	6 334 364	**23 440 668**

VAT output payables and VAT input receivables are shown in note 10.

All VAT returns have been submitted by the due date throughout the year.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr SI Moekeletsi	978	-	978

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr S Kutumela	2	-	2
Cllr G Modiba	498	3 996	4 494
	500	**3 996**	**4 496**

During the year the following Councillors’ had no arrear accounts outstanding for more than 90 days

Councillor SI Moekeletsi joined the municipality in April 2018 and a payment arrangement has been agreed upon.

49. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Incident		
Emergency	756 154	2 389 847
Sole supplier	1 000 835	838 641
Impractical or impossible	61 689	2 842 334
Special works of art	-	9 996
	1 818 678	**6 080 818**

50. Budget differences

Material differences between budget and actual amounts

It is general practise to deem a 10% deviation on operational revenue and exp versus the final budget as material.

Figures in Rand	2018	2017

50. Budget differences (continued)

Services charges - The actual billing includes the free basic services subsidy for Water whereas on the budget schedule the FBW service is disclosed separately hence the variance.

Rental of facilities and equipement - The municipality has two operating contracts yielding R12 000 PM and the municipality anticipated to sign another operating lease however it is still not yet concluded. The municipality does not have control over the day to day rental of municipal facilities and the basis on last year's actuals.

Interest received - The interest received trading also includes the amount for the interest from investments. The total budgeted amount will be 23 868 961 which is compared to an actual amount of 17 669 104. The reduction in the actual amount was as a result of the VBS saga. The amount that was going to be re-invested was frozen in the VBS account. Consequently the interest to be earned from the amount invested in VBS was also affected. In addition, the grant rollover application was denied which also affected the amount of funds to be invested.

Other income -The municipality budgeted R250 thousand on the traffic income as was a pilot project and the actual amount received is R813 803 which explains the R500 thousands variance. The small variances is for tender Documents and SETA funding.

Loss on disposal - There were no disposals budgeted for in the current year however there were assets which had to be written off/ derecognized as they were stolen/vandalized. In order to comply with the GRAP 17 requirements, the assets had to be written off.

Public contributions and donations - The department of water and sanitation constructed a water treatments plant on behalf of the municipality and after construction handed the asset over to the municipality. The donations was not budgeted for as there was not initial indication of when the asset would be completed.

Depreciation and amortisation - The depreciation was under- budgeted for as the assets which were under construction were completed within the current year when the expectation was that the assets would be completed in the following year. This has resulted in higher depreciation charged in the current year.

Finance costs -The increase in finance cost was due to the addendum on the IT Contractor's contract. This has resulted in an increase in the finance cost.

Debt Impairment - The Debt impairment amount of 44 653 210 was under budgeted forcompared to the 107 671 712 for the actual. The main reason was due to the VBS Bank investment being written off. At the time of budgeting the situation with VBS was not known.

Bulk purchases - The City of Tshwane is currently unable to meet Moretele's water demand through Bulk purchases and the municipality uses the water tankering to supplement the bulk water purchases. The municipality is developing Klipdrift dam for the long term plans.

Contracted Services - The main contractors on the contracted services are the contractors for tankering services. Initially the budget was based on the reduction of water tankers from 30 to 20 but the demand from the community compelled the municipality to retain the 30 trucks. The reduction of trucks was based on the assumption that the infrastructure for the water was going to be completed.

General Expenses - There is a new requirement for repairs and maintenance to be separately disclosed however when the budget was done, the repairs and maintenance was combined together with general expenses. The variance between the budget and the actual would therefore be 6 285 442 which is an acceptable variance.

Transfers and subsidies - The actual amount for the transfers and subsidies were classified under operational expenses.

Receivables -The receivables for non-exchange were included in the receivables for exchange amount in the budget. The variance between the 2 would amount was due to improvement in collection of the debts owed.

Unspent conditinal grants and receipts - The unspent conditional grant related to the WSIG. The WSIG had a project which is implemented by Magalies. They have control over the project. Moretele had no control over the project therefore the funds which were left unspent at the end of the year could not have been predicted during the budget phase.